

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Mark Acton, Vice Chairman;
Tony Hammond; and
Nanci E. Langley

Notice of Market Dominant
Price Adjustment

Docket No. R2018-1

COMMENTS OF NATIONAL NEWSPAPER ASSOCIATION (NNA)
ON 2018 MARKET DOMINANT RATES
(October 26, 2017)

Pursuant to Commission Order No. 4153, National Newspaper Association (NNA), provides comments on the United States Postal Service's (USPS) Notice of Market Dominant Price Adjustment. NNA seeks the Commission's attention to ongoing inequities in the pricing of flats trays at the same level as sacks in the Periodicals mailstream and urges such actions as the Commission may be able to exercise now to complete a long-delayed price scheme to encourage greater use of the trays.

NNA represents small community newspapers that rely upon all classes of mail. Among its 2,200 members are weekly and small daily newspapers who use Periodicals class mail to reach readers across the country with news of their local communities. Although NNA members primarily use In-County mail to reach their primary markets, they also must use Outside-County mail for a variety of reasons: 1) because their markets straddle two or more counties; 2) because local residents are temporarily away from home in college, at military posts or in vacation homes and seek to remain informed of events and developments in their towns; 3) because residents have moved away and want to stay in touch with the home town; or 4) because readers hope to

move to the town and are beginning to become familiar with it. This Outside County mail can be critically important to the newspaper franchise. It is, unfortunately, where NNA members encounter their greatest challenges in using the mail.

NNA's analysis of the 2018 rates for a typical mailed weekly newspaper within its membership indicates that the overall increase for Outside County mail is more than 5%. A major contributor to the increase is the dramatic rise in container charges. In analysis of a typical weekly newspaper, NNA finds that the container increases range from 5.41% at the DDU/5-digit level, up to 22.4% for Mixed ADC. For rate cells commonly used by community newspapers, the container increase averages 12.3%.

With increases at these alarming levels, it becomes imperative that the Postal Service finally arrive at a fair pricing scheme for more efficient exploitation of the opportunities the flats trays may offer. Plant personnel routinely encourage NNA members to use the trays, leading to a likely conclusion that they believe the trays to be superior to sacks. With NNA's experience in best practices for newspaper Periodicals mail, a fair investigation is likely to conclude that the trays are cheaper to use than sacks. Why this work has not been done in a decade is a mystery.

Publishers are permitted to use flats trays as an alternative to sacks under authority of Domestic Mail Manual §207.22.7. The container charge for these trays joined the pricing scheme for Periodicals following protracted wrangling among Periodicals mailers in a complaint case brought by Time Warner, Inc. in Docket No. C2004-1. In that case, Time Warner argued for the disaggregation of component parts of the Periodicals mailstream for pricing purposes and averred that charges on containers would help the Postal Service to eliminate certain costs associated with the handling of sacks. The following omnibus rate case, Docket No. R2006-, produced a disaggregated pricing scheme that incorporated fewer of the elements than T-W wished, but more than NNA preferred.

NNA opposed the container charge in both dockets as inconsistent with the general pricing for flats and argued that the changes were unfair to smaller mailers, who generally did not have the options of using pallets or employing co-mailing techniques to minimize the charges. But NNA believed if a charge were to be applied to sacks, no charge should be applied to flats trays because there were no costing data to support a price. The Postal Service offered no costing support for a flats trays charge, but simply said it needed the revenue to hold down other Periodicals prices. See, e.g., testimony by USPS Witness Tang at USPS-T-35 at 5, Docket R2006-1. The Postal Service even proposed a container charge for mail that was entered with no container, which the Commission rejected. Opinion and Recommended Decision, Docket No. R2006-1 at 326.

Multiple conversations and directives from the Postal Service over the past decade have indicated that mail processing managers believe the trays are easier and cheaper to handle. Thus, NNA has sought through a variety of avenues a better pricing policy on flats trays since the imposition of the container charge in 2006. Understanding that the Postal Service wished to minimize the use of sacks, the industry has carried out a lengthy education program urging conversion from sacks to trays.

Publishers have found that the rationale for conversion is not as easy as it looked. In the early parts of the decade, Mail Transportation Equipment (MTE) supplies were often lacking and publishers wishing to use trays were unable to procure them. But a new problem soon emerged: More sacks will fit into a travel van or small truck, whereas the trays with the requisite green lids will “cube out” the capacity of the vehicles. Using trays could mean more transportation trips. Therefore some circulation departments were reluctant to use trays.

NNA is still trying. It is presently in the midst of an experimental program with USPS to test the use of flats trays without lids—an exercise that is now stretching into its third year. But barriers remain, and NNA’s ability to effect change singlehandedly is limited. NNA’s Postal Committee’s experience indicates that hundreds of publications

are still using sacks when flats trays would do, both in Periodicals and Marketing Mail product streams.

After a decade of trying to incent change out of a sense of good will for holding down USPS costs, NNA has been persuaded for some time that if the Postal Service is serious about squeezing out more sack cost, it must create a meaningful price signal to reach those in the publishing world whose hearts and minds have not yet been changed by NNA's undying prose.

In NNA's comments on the Commission's 10-year review, NNA again pointed out the importance of flats trays as it encouraged efficient use of transit hubs, where containers destined for carriers within an existing or previous Sectional Center Facility area could be handed off from truck to truck without making unnecessary trips to processing plants. NNA said:

The use of the hubs is another topic where a better focus on efficiencies available to smaller mailers might improve cost management. The value of hubs took on an intense management focus with the installation of Postmaster General Megan Brennan at USPS, and has continued to develop under her leadership. Along with these service opportunities have come other initiatives to keep non-machinable mail from making unnecessary trips to large processing plants. One barrier has been the difficulty of stacking flats trays in vehicles. In smaller trucks and vans, the lidded and stacked trays "cube out" much faster than sacks—both in mailers' and postal transportation--which tends to push the system back to the more costly sacks. NNA is working presently, for example, on an experiment to permit the nesting of unlidded flats trays in small trucks and vans so more of them can be loaded into limited cargo capacity, and thereby encourage a shift from sacks into flats trays. But until Brennan's focus on service as top priority and NNA's continued requests for attention to smaller mailers, these initiatives have been slow to develop and are only now, after nearly 6 years, coming to pass. Comments of National Newspaper Association, Docket No. RM2017-3 at 27-28.

At the time of its 10-year review filing last spring, NNA believed the 2018 rates would offer at least an introductory price signal.

But the 2018 rates are a disappointment, both in the steep increases for sacks and the absence of a rational recognition of the value of the flats trays. It is difficult to understand why, after a decade of experience, continued industry angst about Periodicals sacks, and rising PRC concern about Periodicals cost coverage, a simple tool that might improve the situation goes unused.¹ NNA understands that USPS may believe it lacks sufficient data to build a new rate, but submits that the control over procurement of the necessary data has rested in the Postal Service's hands at every point since container charges were implemented. It appears to this commenter that the demand of other priorities has simply allowed this matter—small within the scope of overall rates, but enormous to NNA and significant to other Outside County mailers—to be buried under other work.

Accordingly, NNA now urges the Commission to explore a number of actions:

- 1) to request data on the numbers of trays in use;
- 2) to request an analysis of the numbers of sacks in the Periodicals mailstream that might be converted to trays;
- 3) to ask the Postal Service to identify actions it may take to encourage greater use of trays, including a better pricing signal, as well as completion of the ongoing experiment with unlidded trays and to set a timeline for implementation; and
- 4) to request any available costing data on the flats trays that might support a bottoms-up rate in 2018;
- 5) and if the Commission believes as NNA does that a decade is too long to wait for action in this area, to reject the Outside County sack charge increase until a better approach can be achieved.

¹ NNA understands that USPS felt itself unable to proceed with a change in price structure under the pricing authority granted under the Governors' Resolution No. 16-18. However, USPS has made rate modifications in other areas that affect Periodicals, such as the elimination of Flats Sequencing System (FSS)-specific pricing that it initiated in Docket R2017-1. If the authority would permit FSS rates to be adjusted, it seemingly would permit already existing price cells for flats trays to be adjusted to provide a fair price.

Even if only a fraction of cost can be saved through better container use, the consequences of failing to encourage better practices has an impact upon all users of Outside County mail. It is simply unfair to Periodicals throughout the class to leave any stone unturned in the search for cost savings. If flats trays can help eliminate sacks, it is time for the pricing schedule to encourage their use.

Respectfully submitted,

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